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FISCAL IMPACT STATEMENT

LS 7094

BILL NUMBER: HB 1241

NOTE PREPARED: Feb 24, 2010

BILL AMENDED: Feb 24, 2010

SUBJECT: Aircraft Registration and Unemployment Insurance.

FIRST AUTHOR: Rep. Van Haaften

FIRST SPONSOR: Sen. Hershman

BILL STATUS: 2nd Reading - 2nd House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Aircraft Registration Without Paying Use Tax*: This bill permits the registration of an aircraft without the payment of the state use tax if: (1) the aircraft was registered in another state as of January 1, 2010, and the sales or use tax, if any, was paid to the registration state; and (2) the aircraft is registered in Indiana on or before December 31, 2010, and the registration fee and excise tax are paid for 2010.

UI Issues: This bill delays from January 1, 2010, to January 1, 2011, changes in the taxable wage base and employer contribution rates for the unemployment compensation system.

It specifies the contents of the written notice provided to base period and separating employers whenever an individual files an initial or additional claim for unemployment benefits (benefits).

The bill requires the Department of Workforce Development (Department) to prescribe a standard form for an employer to use to object to a claimant's receipt of benefits. The bill provides that, if the employer submits the standard form within ten days after the mailing of notice that a former employee has filed an initial or additional claim for benefits, the claim is sent to an Unemployment Claims Compliance Center that contacts all employers for information necessary for the Department to determine whether the individual is eligible for benefits. The bill provides that, for any week in which the individual's eligibility is contested, the Department may not pay benefits until both the employer and the claimant have had an opportunity to be heard, and the Department determines that the claimant is eligible for benefits based on the information provided to the Department. It provides that, if an employer appeals an initial determination granting benefits to a claimant and the determination is reversed at least in part based on information that the employer failed to provide in response to a Department request, the employer's experience account (account) shall be charged

50% of the benefits paid to the employee that the employee was not entitled to receive and for which the employer's experience account may be charged. It provides that if the employee repays the benefits received the employer's account is credited with the amount of the employee's repayment up to 50% of the amount charged to the account.

The bill repeals a provision that permits an employer with a debit reserve ratio to elect once, after December 31, 2009, and before January 1, 2012, to make a voluntary contribution to the fund and receive a credit to the employer's account equal to 250% of the amount of the voluntary contribution.

Effective Date: (Amended) January 1, 2010 (Retroactive); July 1, 2010.

Explanation of State Expenditures: *Department of State Revenue (DOR):* It is estimated that the DOR will be able to implement these provisions with its existing level of resources.

(Revised) *UI Issues:* The provision delaying the new rate schedule would not affect the state expenditures to the Unemployment Insurance Benefit Fund since the state is a reimbursable employer.

The changes to the notification to employers might increase the Department's administrative costs, but the increases would probably be minor.

The state paid about \$4.1 M in FY 2009, \$4.1 M in FY 2008, and \$5.9 M in FY 2007 to the fund.

Explanation of State Revenues: *Aircraft Registration Without Paying Use Tax:* This bill creates a window of six months where an owner of an aircraft that is located in another state may register in Indiana without paying the difference in the Sales tax paid to that state and the Indiana Use tax rate. Currently, when an aircraft is registered in the state of Indiana, the owner gets a credit for the Sales tax paid to another state and would have to pay any difference in Use tax. The owner would also have to pay the registration fee and aircraft excise tax.

This bill could decrease Use Tax revenue on these transactions and increase aircraft registration fees, aircraft license excise taxes, and sales tax on fuel purchased by these aircraft by an indeterminable amount. The impact would depend on the number of aircraft that are relocated during this six-month window.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

(Revised) *UI Issues:* The bill would reduce the revenue to the Unemployment Insurance Benefit Trust Fund. The reduction in revenue in FY 2010 is estimated to be between \$314 M and \$357.6 M.

The repeal of the provision that permits an employer with a debit reserve ratio to elect once, after December 31, 2009, and before January 1, 2012, to make a voluntary contribution to the fund and receive a credit to the employer's account equal to 250% of the amount of the voluntary contribution could reduce contributions into the fund. The balance of all debit reserve ratio employers is about -\$1.8 B. Each 1% of voluntary contributions employers might have made would have generated \$18 M of one-time income to the fund, and employers would receive a reduction in their negative balance of about \$45 M.

(Revised) **Background:** The following is the amount states have borrowed as of February 16, 2010, from the

federal government to pay unemployment benefits.

Alabama	\$200,724,827.22
Arkansas	\$278,833,916.95
California	\$7,119,365,227.37
Colorado	\$45,105,000.00
Connecticut	\$295,261,478.04
Florida	\$1,239,100,000.00
Georgia	\$199,000,000.00
Idaho	\$140,635,625.22
Illinois	\$1,582,176,341.88
Indiana	\$1,649,784,846.70
Kentucky	\$661,600,000.00
Massachusetts	\$41,864,979.06
Michigan	\$3,447,282,333.32
Minnesota	\$416,813,948.76
Missouri	\$556,229,802.21
Nevada	\$219,476,394.20
New Jersey	\$1,209,701,783.38
New York	\$2,462,228,500.81
North Carolina	\$1,850,837,380.30
Ohio	\$1,955,417,799.00
Pennsylvania	\$2,307,662,071.16
Rhode Island	\$158,971,517.00
South Carolina	\$771,287,283.00
South Dakota	\$12,944,423.67
Texas	\$1,628,708,179.95
Virgin Islands	\$11,671,975.08
Virginia	\$204,192,171.00
Wisconsin	\$1,130,986,340.34
Total	\$31,797,864,145.62

For CY 2009 the Unemployment Insurance Benefit Fund received \$521.4 M from employers, \$0.5 M in interest, paid \$1,865.3 M in benefits, and had administrative expenses of \$14.9 M. The ending balance on December 30, 2009, was a negative \$1,469.8 M. The loans to states from the federal government for unemployment benefits will not begin accruing interest until at least December 31, 2010.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Aircraft Registration Without Paying Use Tax:* Aircraft License Excise Tax is distributed to the county where the aircraft is located.

(Revised) *UI Issues:* The impact on local government would be as an employer.

State Agencies Affected: DOR, Department of Workforce Development.

Local Agencies Affected: Counties, All nonreimbursement employers.

Information Sources: Department of Workforce Development data.

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